

# TECHNICAL MEMORANDUM

## Utah Coal Regulatory Program

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May 18, 2010

TO: Internal File

THRU: Kevin Lundmark, Team Lead *KL*  
James D. Smith, Task Manager *JS 23 June '10*

FROM: Peter Hess, Engineering / Bonding *PHH by SHS*

RE: PHASE III BOND RELEASE, Plateau Mining Corporation, Star Point Mine, C/007/006, Task ID # 3534

### SUMMARY:

The amount of reclamation bond remaining for the Star Point Mine, following Phase II release, as of February 12, 2009, amounts to \$ 734,000.00.

On February 11, 2010, the Permittee applied for the following MRP changes:

- 1) change the post-mining land use from wildlife to industrial for a portion of the current permit area;
- 2) reduce the size of the approved permit area;
- 3) apply for a Phase III bond release for the area reduction.

The area involves 40 acres of land in SE/4 SE/4 Sec. 9, T. 15 S., R. 8 E. It is being proposed that the 40-acre parcel be sold to Conoco Phillips Company for coal bed methane well development. Of the 40 acres involved, Plateau Mining Corporation disturbed only 8 acres in the development of the Star Point Mine.

### TECHNICAL ANALYSIS:

## RECLAMATION PLAN

### BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

### Analysis:

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## **General**

The amount of reclamation bond remaining for the disturbed area acreage of the Star Point Mine is \$ 734,000.00, following a Phase II release.

The Task ID # 3534 application proposes to reduce this amount by \$ 62,000, leaving \$ 672,000.00 amount remaining.

### **Form of Bond**

The bond which currently exists (\$ 734,000.00) to cover the remaining costs for the Star Point Mine is a SURETY BOND, issued by the Travelers Casualty & Surety Insurance Company, (#104329368). The Travelers has an A.M. Best rating of A+ as of March 31, 2010.

### **Determination of Bond Amount**

As part of the Task ID # 3534 application, the Permittee submitted EXHIBIT 880.100b, CALCULATION OF REVISED BOND AMOUNT IN SUPPORT OF LAND SALE TO CONOCO PHILLIPS COMPANY.

95.3 acres of the Star Point Mine permit area were involved in a Phase II bond release approved on February 12, 2009. Of these 95.3 acres, 40 acres are to be sold to Conoco Phillips Company for CBM well development. Eight acres of these 40 were disturbed by the coalmine.

The amount of reduction for the eight acres of disturbance (which has received Phased II release) was calculated in the following manner;

- 1)  $95.3 \text{ acres} - 8 \text{ acres} = 87.3 \text{ acres}.$
- 2)  $87.3 \text{ acres} / 95.3 = 0.916 \text{ or } 91.6 \text{ \%}.$
- 3)  $91.6 \text{ \% } (.916) \times \$ 734,000 = \$ 672,344.00.$
- 4) Rounded to the nearest \$ 1,000.00, the new bond amount (i.e., the amount remaining after the \$ 62,000 reduction) would be \$ 672,000.00.

The \$ 672,000.00 bond is adequate to complete any reclamation costs incurred to complete Phase III for the remaining 87.3 acres of disturbed area, which will be retained by Plateau Mining Corporation.

### **Findings:**

The submitted information is adequate to justify a \$ 62,000.00 bond amount reduction. This is based on the assumption that the Permittee has met all other requirements for the transfer in ownership of the 40 acres of land to Conoco Phillips.

The Division should approve a bond amount reduction of \$ 62, 000.00.

**RECOMMENDATION:**

Approve the reduction in bond amount by \$ 62,000. The new bond amount should be \$ 672,000.00.

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